Navistar, Inc.

Statement of Mr. Steven K. Covey
March 5, 2012, EPA Public Hearing (Ann Arbor, MI)
NCPs for On-Highway Heavy-Duty Diesel Engines

I am Steve Covey, Senior Vice President and General Counsel of Navistar, Inc. Navistar appreciates the opportunity to provide input on an issue that is of critical importance to our company. From the outset, let me say, that EPA is correct in determining that "NCPs" are necessary and warranted at this time for Navistar, and perhaps for other manufacturers as well.

At Navistar, we take our environmental responsibilities seriously. Our perspective is that environmental solutions are something we should worry about – so our customers don't have to. Over the past 25 years, Navistar has taken the lead in this industry in developing sustainable transportation solutions that have resulted in dramatic reductions in NOx and other emissions from our diesel engines and vehicles.

Navistar is a company of **firsts**:

- Navistar pioneered the first, North American smokeless diesel engine in 1989;
- Navistar was the first North American truck manufacturer to go to market with a diesel-hybrid solution;
- Navistar was the first school bus manufacturer to go to market with diesel-electric hybrids;
- Navistar was the first manufacturer to meet the 2007 particulate matter and hydrocarbon standards, six years ahead, with our green-diesel technology school bus;
- Navistar, to this date, is still the only manufacturer that offers a plug-in, hybrid school bus; and
- Navistar is the first major global manufacturer to bring an all-electric solution to the commercial truck market with its eStar – the first medium-duty commercial vehicle to receive EPA's clean fleet fuel vehicle certification and the California Air Resources Board's zero-emissions vehicle certification.

No other truck manufacturer brings as many low-emitting diesel, hybrid, natural gas and all-electric solutions to the commercial truck market as Navistar.

The 2001 Rule

Navistar's commitment to environmental leadership extends to the current NOx limits for heavy-duty diesel engines. In 2001, EPA promulgated tough new emissions standards for these engines, including a near-zero 0.20 g NOx standard. When other diesel engine and truck manufacturers **sued** EPA to overturn those standards, Navistar – **and only Navistar –** fought on the side of EPA to uphold them, including the 0.20 g NOx standard that is now in effect.

At the time the current standard was promulgated in 2001, EPA observed that there were several foreign manufacturers who wanted to use liquid urea-based SCR systems to the meet the 0.20 g NOx standard. When EPA published the final rule in the Federal Register, however, it noted there were significant feasibility issues surrounding the effectiveness of such SCR systems, many of which stem from the unique need of driver interaction with the system to replace the urea necessary for the SCR to function.

At that time, EPA concluded the 0.20 g NOx standard was infeasible with SCR technology. That meant if SCR was the only technology available, EPA was prohibited by the Clean Air Act from promulgating the 0.20 g NOx standard at all. So, EPA looked to **other** technology, and that is exactly what Navistar did as well.

Navistar's Efforts

Navistar decided to do what it has always done for NOx – clean up combustion emissions in the engine, rather than rely on after treatment devices in the exhaust stream. SCR is especially undesirable, in Navistar's view, because it is unreliable and off-loads compliance responsibility to the customers instead of the engine manufacturers. Given the near-zero standard, a clean burning, in-cylinder solution was a significant and capital intensive solution. But that did not deter Navistar from meeting the challenge.

Since 2001, Navistar has:

- Devoted tens of thousands of employee-hours in the development of a clean-burning, in-cylinder solution; and
- Invested more than $700 million in development of a clean-burning, in-cylinder solution.

And as a result of that investment, Navistar succeeded in developing a clean NOx technology – advanced exhaust gas recirculation or EGR – in order to comply with the 0.20 g NOx standard. Navistar is the only manufacturer working to do so.

Navistar rejected "off the shelf" SCR technology, because of its inability to achieve the 0.20 g NOx standard on a fleet-wide basis and the increased maintenance and emissions control burden for owners and operators. Navistar also found, among other things, that by comparison to a clean-burning engine, SCR technology is a primitive and unreliable emission control technology. It is ineffective in many driving situations EPA can expect a heavy-duty diesel engine to encounter in the real world, both on the highway and in urban areas. SCR technology is the wrong choice for customers and for the environment.

In sum, Navistar's choice was not a gamble but a commitment. It was a commitment to an alternative, more-reliable emission control technology that stands on its own. It is an alternative that EPA and the public need now, and which we predict they will need even more in the future.

As we look down the road, Navistar believes that a complicated system of sensors and algorithms for so-called driver DEF inducements, which ultimately depend on one million truck drivers to keep high levels of NOx emissions from being sent into the air we breathe, will not work. In short we believe that EPA was correct when it reached precisely this conclusion ten years ago.

Having the Navistar alternative – an engine that meets the standard at the exhaust manifold through clean combustion – will be essential to protect the environment. Advanced EGR technology will become the emission control technology of choice for our competitors after SCR's failure becomes clear.

In sum, Navistar pursued Advanced EGR because it is the superior option for our customers, for the environment, and for our industry. From start to finish, we believe it is the manufacturer's responsibility – not the customer's – to ensure emissions compliance. Navistar remains **fully committed** to meeting the current near-zero standard with its clean-burning, EGR-only engines, and we believe we have succeeded in doing so.

NCPs Are Necessary

Navistar supports and needs the proposed NCP rule. Although Navistar submitted an application to EPA for certification of a 0.20 g NOx engine based on clean-burning, in-cylinder technology, EPA has not yet issued the certificate of conformity. Navistar is working with EPA to resolve technical issues relating to Advanced EGR technology, and in particular working to demonstrate that the on-road NOx performance of our technology is superior to the SCR alternative.

Until Navistar reaches agreement on these issues with EPA, however, we need a temporary bridge to keep some engines and vehicles in the market. As everyone in this room is well aware, that is exactly the purpose of NCPs. Congress provided for NCPs in the Clean Air Act, with a mandate to adopt them, in precisely those situations where a manufacturer who has chosen a different technology path to compliance requires a bridge to stay in the market. Accordingly, Navistar is here today to support the proposed NCP rule.

In the proposed rule, EPA has correctly determined that the NCPs proposed in its Notice of Proposed Rulemaking for model year 2012 and later diesel engines are necessary because – **for technological reasons** – Navistar needs NCPs to ensure continued production for certain families of its heavy-duty diesel engines. Temporary relief is required so that a better environmental and customer solution is possible.

EPA's long-established criteria for promulgating NCPs are clearly met in this case. That Navistar is the manufacturer most likely to sell engines and pay NCPs is irrelevant. Where NCPs are concerned, Congress and EPA expressly contemplated a situation where some manufacturers have been certified to meet a particular standard while other manufacturers need a bridge to certification.

Congress prescribed a solution of a "penalty" to account for differences in the costs of compliance between those who chose one path and those who chose the more difficult path – not the ouster of any competitor from the market. In other words, EPA's proposed rule fulfills a mandate delivered by Congress to EPA.

In this case, because Navistar invested as much (or more) in NOx compliance as any of its competitors, and because Navistar's solution actually provides superior on-road NOx control, EPA's proposed NCPs are, in our view, too high. The NCP calculation used by EPA significantly undervalues the huge investment that Navistar already has made in its clean burning combustion technology.

Moreover, Navistar rejects the suggestion that there is a competitive disadvantage to the SCR engine makers, just as we reject the idea that they are the technological leaders here. The only competitive disadvantage is to Navistar, not the SCR engine makers who used an off-the-shelf technology that purportedly meets the standard in the test cell but pollutes heavily on the highway – a reality that is currently ignored in SCR certification testing.

We, will, of course, submit more detailed written comments in support of this rulemaking. We look forward to working with EPA on the next steps. Thank you.